

NOWALSKY, BRONSTON & GOTHARD

A Professional Limited Liability Company

Attorneys at Law

Leon L. Nowalsky
Benjamin W. Bronston
Edward P. Gothard

3500 N. Causeway Boulevard
Suite 1442
Metairie, Louisiana 70002
Telephone: (504) 832-1984
Facsimile: (504) 831-0892

REC'D TH
REGULATORY Monica R. Borne
EllenAnn G. Sands

'00 JAN 18 PM 4 09

EXECUTIVE SECRETARY

January 14, 2000

Via Overnight Delivery

Ms. Patsy Fulton
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

00-00009

RE: Network Telephone Corporation (Application for Facilities-Based Local Exchange Authority)

Dear Ms. Fulton:

Enclosed please find an original and thirteen (13) copies of the responses to your request for additional information dated January 10, 2000. In response to your inquiries, the Company submits the following:

- 1.) A copy of the Company's projected financial statements inclusive of income statements, balance sheets, and statements of cash flow for the next three years are attached in Excel spreadsheet format.
- 2.) The Company's capital expenditures budget for the next three (3) years including equipment to be deployed, cost of equipment and sources of funding Tennessee network, equipment and UNE's is also attached in Excel spreadsheet format.
- 3.) As the Company connects DSL customers, it will provide new CPE and Integrated Access Devices for each customer. If the customer cannot be connected from an existing DSL service provider in Tennessee, and the customer owns CPE devices, then the Company will evaluate these situations on a case-by-case basis.
- 4.) The Company's Toll Dialing Parity Plan was submitted as Exhibit I to the Application.
- 5.) The Company's Prefiled Testimony is attached in WordPerfect format. A signed copy will be forwarded the hard copy of this letter.

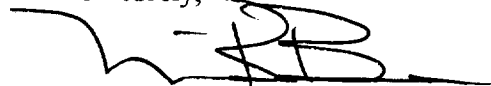
FILE

January 14, 2000
Ms. Patsy Fulton
TN Regulatory Authority
Page 2 of 2

- 6.) Network Telephone Corporation is currently in the process of restructuring. A holding company is being established which will own 100% of Network Telephone Corp. Current shareholders of Network Telephone Corp. will own identical percentages in the new holding company as they previously did in Network Telephone Corp.
- 7.) The Company does not require customer deposits.
- 8.) The following is a summary of all complaints filed with regulatory agencies involving Network Telephone:
 - a.) June, 1999 - A customer complained that service was suspended for non-payment when he had not received an invoice, but had received a delinquency notice. The Company's records indicated that invoices were mailed. Copies of the invoices were faxed tot he customer and service was restored while awaiting payment.
 - b.) June, 1999 - A customer's adult son signed up for an Internet package which included local exchange service. The son said he was unable to access the Internet service, and the father claimed he was unaware of the change in local service providers. The bills were unpaid and the service was denied. Network Telephone reached an agreement with the customer on billing and credits, and the matter was resolved.

If you should have any questions regarding this submission, please do not hesitate to call. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Monica R. Borne', with a stylized flourish at the end.

Monica R. Borne

Enclosure
cc: Margaret Ring, Network

STATE OF TENNESSEE
Before the
TENNESSEE REGULATORY AUTHORITY

REC'D IN
REGISTRY UNIT
'00 JAN 18 PM 4 09
Docket No. 00-00009

In Re:

APPLICATION OF NETWORK TELEPHONE)
CORPORATION FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO PROVIDE)
FACILITIES-BASED LOCAL EXCHANGE)
TELECOMMUNICATION SERVICES)

Docket No.

TESTIMONY OF JOHNNY MATTHEWS
ON BEHALF OF
NETWORK TELEPHONE CORPORATION

1 Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A: Johnny Matthews, 815 S. Palafox Street, Pensacola, Florida 32501.

3 Q: BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

4 A: I am Chief Financial Officer of Network Telephone Corp.

5 Q: IS THE ADDRESS OF THE COMPANY THE SAME AS THAT WHICH YOU HAVE
6 JUST SUPPLIED?

7 A: Yes.

8 Q: PLEASE DESCRIBE YOUR DUTIES FOR THE COMPANY.

9 A: I am responsible for accounting, collections, purchasing and inventory, and generally
10 maintaining the financial records of the Company. I am also in charge of regulatory
11 compliance for the Company.

FILE

1 Q: COULD YOU PROVIDE A BRIEF BACKGROUND OF YOUR EDUCATION AND
2 EXPERIENCE?

3 A: Yes. I have served as a financial executive for the past fifteen years. I was Chief Financial
4 Officer of Network USA from 1991 to 1995; prior to Network, I was Manager of Operations
5 Review for MobileCom, a division of BellSouth, responsible for internal audits, policies and
6 procedures, and the due diligence portion of the company's acquisitions. Before transferring
7 to MobileCom, I acquired extensive experience in auditing over twelve independent
8 telephone companies in the southeast.

9 Q: ARE YOU FAMILIAR WITH THE APPLICATION OF YOUR COMPANY SUBMITTED
10 TO THE TENNESSEE REGULATORY AUTHORITY AND ALL EXHIBITS
11 ATTACHED THERETO?

12 A: Yes.

13 Q: DO YOU RATIFY AND CONFIRM THE STATEMENTS AND REPRESENTATIONS
14 MADE IN THAT APPLICATION AND ALL EXHIBITS ATTACHED THERETO?

15 A: Yes.

16 Q: PLEASE PROVIDE A DESCRIPTION OF THE SERVICES TO BE PROVIDED BY THE
17 COMPANY.

18 A: The Company will provide facilities-based local exchange telecommunications
19 services as would normally be provided by an incumbent local exchange telephone company
20 including, but not limited to, dedicated and switched access services, private line services,
21 local dial tone, toll service and enhanced services. The Company will initially provide its
22 facilities-based local exchange services in Memphis, Nashville, Knoxville and Chattanooga.
23 The Company may augment its service offerings in the future to add new services,

1 capabilities and locations as the services or facilities become available.

2 The Applicant is currently authorized to provide local exchange services on a resale
3 basis in Tennessee, and now desires to provide these services as a facilities-based provider.
4 Applicant will ensure that its customers have access to 911 and E911 service, directory
5 assistance, dual party relay service and directory listing.

6 Q: WHAT FACILITIES WILL BE DEPLOYED BY THE COMPANY?

7 A: The Company will deploy Lucent PathStar switching equipment within its collocation space
8 at various BellSouth Tandem locations. The Company will also deploy Copper Mountain
9 DSLAM equipment in remote BellSouth central offices. The remote locations will be
10 connected to the PathStar switching equipment within the LATA via BellSouth transport
11 facilities. A diagram of the proposed network is attached to the Application as part of
12 Exhibit G.

13 Q: WHERE DOES THE COMPANY ANTICIPATE OFFERING ITS SERVICES IN
14 TENNESSEE?

15 A: The Company intends to initially offer its facilities based services in Memphis, Nashville,
16 Knoxville and Chattanooga. The Company may expand its service area as the necessary
17 facilities are deployed.

1 Q: DOES THE COMPANY'S MANAGEMENT TEAM HAVE THE EXPERIENCE
2 NECESSARY TO PROVIDE THE PROPOSED SERVICES?

3 A: Yes. The Company's management team has extensive experience in general business
4 operations as well as in the telecommunications industry. The experience of the Company's
5 management team and/or key personnel is attached to the Application as Exhibit E.

6 Q. IS THE COMPANY FINANCIALLY CAPABLE OF PROVIDING THE PROPOSED
7 SERVICES?

8 A. Yes. The Company is successfully providing local exchange and/or long distance service
9 in approximately 10 states. The Company intends to grow steadily as it expands its
10 operations to include facilities-based services. the Company's financial documentation is
11 attached to the Application as Exhibit F.

12 Q: BASED ON THE APPLICANT'S EXPERIENCE IN PROVIDING ALL SUCH SERVICES,
13 IS IT ECONOMICALLY FEASIBLE FOR APPLICANT TO PROVIDE THE PUBLIC
14 TELECOMMUNICATIONS SERVICE PROPOSED IN TENNESSEE SUCCESSFULLY
15 AND CONTINUOUSLY?

16 A: Yes.

17 Q: DOES THE COMPANY HAVE THE TECHNICAL EXPERIENCE NECESSARY TO
18 PROVIDE THE PROPOSED SERVICES?

19 A: Yes. The Company has been successfully providing telecommunications services since 1998
20 and has technical personnel on staff with over 50 years combined technical experience in the
21 telecommunications industry. (See profiles in Exhibit E of the Application.)

1 Q: HOW LONG HAS THE COMPANY BEEN IN BUSINESS?

2 A: Network Telephone, Inc. was incorporated in Florida on October 22, 1997. The Company's
3 name was changed to Network Telephone Corporation on October 19, 1998.

4 Q: DOES THE COMPANY HAVE OFFICES IN TENNESSEE?

5 A: No. The Company does not have offices located in Tennessee. The Company may,
6 however, establish offices in Tennessee as the need arises.

7 Q: IN YOUR OPINION, IS THE COMPANY'S REQUEST FOR EXPANDED SERVICE
8 AUTHORITY IN THE PUBLIC INTEREST?

9 A: Yes. By allowing the Company to provide facilities-based services within the State of
10 Tennessee, competition within the local exchange telecommunications industry is enhanced,
11 thereby resulting in the offering of higher quality services at lower prices on a industry-wide
12 basis.

13 Q: IS THE COMPANY WILLING AND ABLE TO PROVIDE THE REQUESTED
14 TELECOMMUNICATIONS SERVICES PROPERLY AND CONTINUOUSLY?

15 A: Yes.

16 Q: IS THE COMPANY WILLING AND ABLE TO CONFORM TO THE CONSTITUTION
17 AND LAWS OF THE STATE OF TENNESSEE AND TO THE RULES AND
18 REGULATIONS OF THE REGULATORY AUTHORITY, UNLESS APPLICATION OF
19 SUCH RULES OR REGULATIONS IS SPECIFICALLY WAIVED BY THE
20 REGULATORY AUTHORITY?

21 A: Yes.

1 Q: DOES THIS COMPLETE YOUR TESTIMONY IN SUPPORT OF YOUR
2 APPLICATION?

3 A: Yes.

4 Q: WILL YOU REMAIN AVAILABLE TO RESPOND TO ANY ADDITIONAL
5 QUESTIONS FROM THE REGULATORY AUTHORITY OR ITS STAFF REGARDING
6 YOUR APPLICATION OR COMPANY IF NECESSARY?

7 A: Yes.

STATE OF TENNESSEE
Before the
TENNESSEE UTILITIES REGULATORY AUTHORITY

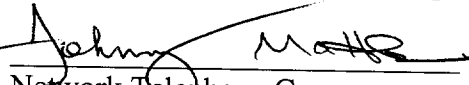
VERIFICATION OF TESTIMONY

STATE OF Florida)
COUNTY OF Escambia) SS:

AFFIDAVIT

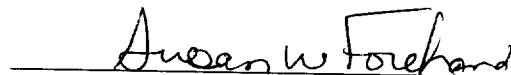
Johnny Matthews, Chief Financial Officer of Network Telephone Corp., having been duly sworn and deposed, hereby states as follows:

That he is Johnny Matthews the Chief Financial Officer Network Telephone Corp.; that he has read the foregoing Testimony and knows the contents thereof, and that the same is true of his knowledge, except as to any matters therein stated upon information and belief, and as to those matters he believes them to be true; and he consents to this verification being used as evidence in this proceeding.




Network Telephone Corp.

This document was signed in my presence this 14 day of Jan, 2000.



Notary Pubic

My Commission Expires:

 Susan W Forehand
My Commission CC707094
Expires February 6, 2002